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C A B I N E T. 40 (39).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 2nd AUGUST, 1939,
at 10.30 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

2. PROPOSED FORMATION OF A PARLIAMENTARY COMMITTEE FOR COLONIAL AFFAIRS.

Statement by the Secretary of State for the Colonies.

3. SAFETY IN MINES.

(Reference Cabinet 3 (39) Conclusion 9)

Memorandum by the President of the Board of Trade
C.P. 159 (39) - circulated herewith.

4. INSTITUTION OF A NATIONAL BADGE SCHEME.

(Reference Cabinet 60 (38) Conclusion 16)

Memorandum by the President of the Board of Education.
C.P. 163 (39) - to be circulated.

FOR INFORMATION:-

5. INDIAN FEDERATION: NEGOTIATIONS WITH THE INDIAN STATES AS TO THE TERMS OF THEIR ACCESSION.

(Reference Cabinet 7 (39) Conclusion 10)

Memorandum by the Secretary of State for India.
C.P. 169 (39) - circulated herewith.

6. ECONOMIC MEASURES TO RESTRAIN JAPAN FROM FURTHER ACTION INIMICAL TO BRITISH INTERESTS IN THE FAR EAST.

(Reference Cabinet 39 (39) Conclusion 6)

Memorandum by the Minister for Co-ordination of Defence, covering extract from draft Minutes of the 370th Meeting of the Committee of Imperial Defence, together with Report by the Advisory Committee on Trade Questions in time of War.

C.P. 162 (39) - circulated herewith.

7. THE GERMAN ARMY: ITS PRESENT STRENGTH AND POSSIBLE RATE OF EXPANSION IN PEACE AND WAR.

(Reference Cabinet 22 (38) Conclusion 12)

Memorandum by the Minister for Co-ordination of Defence, covering extract from draft Minutes of the 370th Meeting of the Committee of Imperial Defence, together with Note by the Chairman, Industrial Intelligence in Foreign Countries Sub-Committee, and Report by the Industrial Intelligence Centre and War Office.

C.P. 171 (39) - circulated herewith.

8. THE GERMAN AIRCRAFT INDUSTRY.

(Reference Cabinet 24 (39) Conclusion 7)

Memorandum by the Minister for Co-ordination of Defence, covering extract from draft Minutes of the 370th Meeting of the Committee of Imperial Defence, together with Note by the Chairman, Industrial Intelligence in Foreign Countries Sub-Committee, and Memorandum prepared by the Industrial Intelligence Centre and Air Staff (Intelligence).

C.P. 170 (39) - circulated herewith.

(Signed) E.E. BRIDGES

Secretary to the Cabinet.

Richmond Terrace, S.W.1.

28th July, 1939.

~~SECRET.~~

COPY NO. _____

CABINET 40 (39).

CONCLUSIONS of a Meeting of the Cabinet held
 at 10 Downing Street, S.W.1., on WEDNESDAY,
 2nd AUGUST, 1939, at 10.30 a.m.

P R E S E N T.

The Right Hon. Neville Chamberlain, M.P.
 Prime Minister. (In the Chair).

The Right Hon. Sir John Simon, G.C.S.I., G.C.V.O., O.B.E., K.C., M.P., Chancellor of of Exchequer.	The Right Hon. Viscount Runciman, Lord President of the Council.
The Right Hon. Lord Maugham, Lord Chancellor.	The Right Hon. Sir Samuel Hoare, Bt., G.C.S.I. G.B.E., C.M.G., M.P., Secretary of State for Home Affairs.
The Right Hon. Viscount Halifax, K.G., G.C.S.I., G.C.I.E., Secretary of State for Foreign Affairs.	The Right Hon. Sir John Anderson, G.C.B., G.C.S.I., G.C.I.E., M.P., Lord Privy Seal.
The Right Hon. Sir Thomas Inskip, C.B.E., K.C., M.P., Secretary of State for Dominion Affairs.	The Most Hon. The Marquess of Zetland, G.C.S.I., G.C.I.E., Secretary of State for India and Burma.
The Right Hon. Malcolm MacDonald, M.P., Secretary of State for the Colonies.	Admiral of the Fleet the Right Hon. Lord Chatfield, G.C.B., O.M., K.C.M.G., C.V.O., Minister for Co-ordination of Defence.
The Right Hon. W.S. Morrison, M.C., K.C., M.P., Chancellor of the Duchy of Lancaster.	The Right Hon. The Earl Stanhope, K.G., D.S.O. M.C., First Lord of the Admiralty.
The Right Hon. L. Hore-Belisha, M.P., Secretary of State for War.	The Right Hon. Sir Kingsley Wood, M.P., Secretary of State for Air.
The Right Hon. John Colville, M.P., Secretary of State for Scotland.	The Right Hon. Oliver Stanley, M.C. M.P., President of the Board of Trade.
The Right Hon. The Earl De La Warr, President of the Board of Education.	The Right Hon. Walter Elliot, M.C., M.P., Minister of Health.
The Right Hon. Ernest Brown, M.C., M.P., Minister of Labour.	The Right Hon. E.L. Burgin, M.P., Minister of Supply.
The Right Hon. Sir Reginald Dorman-Smith, M.P., Minister of Agriculture and Fisheries.	Captain the Right Hon. D. Juan Wallace, M.C., M.P., Minister of Transport.

Sir Edward E. Bridges, K.C.B., M.C.,Secretary.

C A B I N E T 40 (39).

CONCLUSIONS of a Meeting of the Cabinet held
on WEDNESDAY, 2nd AUGUST, 1939, at 10.30 a.m.

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RE INTERNATIONAL SITUATION.

Russia.

Previous reference:
Cabinet 39(39)
Conclusion 5.

1. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that as regards Russia there were no particular developments to report to his colleagues. A telegram had been despatch to Sir William Seeds on the 28th July (Telegram No. 187 to Moscow) to the effect that it would be mistaken tactics to offer M. Molotov another formula on "indirect aggression", and that we felt bound to adhere to our own formula. The French Government had agreed to this course. There was, perhaps, some reason to hope that, as a result of our willingness to enter into Military Conversations with the Soviet Government, M. Molotov might adopt a more reasonable attitude in this matter.

The Foreign Secretary said that his colleagues would have noticed that the Tass Communiqué which was published in the Press of that morning, had taken a somewhat more reasonable line than might have been expected in regard to the position of the Soviet Government vis-a-vis the Baltic States.

The arrangements for the departure of a Military Mission to Russia had now been made. It had been decided to charter a merchant ship, the S.S. CITY OF EXETER, of the Ellerman Line, which would leave on Saturday next. This arrangement had been made after consideration of various alternatives, which, for one reason or another, were unsatisfactory.

The Cabinet took note of this statement.

THE INTER-
NATIONAL
SITUATION
(Cont'd).

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Danzig.

(Previous Ref-
erence: Cabinet protest in regard to recent events at Danzig.
39(39), Conclu-
sion 2.)

2. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that as regards Danzig there was nothing of importance to report. He had no official confirmation of a rumour which had been current that the

Polish Government desired to make an official

Danzig.

In reply to a question, the Foreign Secretary said that he did not think that any particular significance need be attached to the presence of a German General in Danzig.

The Foreign Secretary said that he had observed a certain tendency, when the Danzig position was discussed, for it to be stated that we were committed to fight for Danzig. He had been at pains to correct this statement. The true position was that Danzig, of itself, should not be regarded as providing a casus belli. If, however, a threat to Polish independence arose from Danzig, then this country would clearly become involved.

The Foreign Secretary added that he had had some conversation on these lines with Mr. Winston Churchill. The latter had said that he had no wish to be more Polish than the Poles, but he was anxious that the Government should not put pressure on the Polish Government to take action which, in their view, would be destructive of their State.

The Cabinet took note of this statement.

THE INTERNATIONAL
SITUATION (Contd.)
Turkey.

Previous
Reference:
Cabinet 39(39)
Conclusion 10.)

3. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that, at a Meeting held on the previous day, the Foreign Policy Committee had discussed the draft Political Agreement with Turkey. The Committee had authorised him to proceed on the basis of a draft Agreement framed on a broad reciprocal basis. The main thought which had been uppermost in the minds of the members of the Foreign Policy Committee had been that an Agreement with Turkey was fundamental to our whole position in the Mediterranean. We therefore exposed ourselves to no great risk if we promised that we should lend Turkey all the support and assistance in our power if Turkey was the object of a direct attack. If Turkey felt that her position was indirectly threatened by an attack upon some other State, we undertook, according to the terms of the draft Political Agreement, to consult with her. Mutatis Mutandis, if we were involved in war as the result of a German attack on Switzerland or Holland, Turkey would not automatically be obliged to come to our assistance, but only to consult with a view to action by agreement.

The political negotiations with Turkey were also bound up with the Turkish demands for increased credits and for a loan. The Foreign Policy Committee had reached the conclusion that it was necessary to proceed as quickly as possible with the consideration of these matters, and to press the French to bear their fair share in meeting the Turkish demands. Some of these demands were, however, on an extravagant scale.

The Cabinet took note of this statement.

THE INTER-
NATIONAL
SITUATION
(CONT'D.)

The Position
at Tientsin:
The Tokyo
Negotiations.

(Previous
Reference:
Cabinet 39(39),
Conclusion 6.)

4. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the position in the Far East was now causing him more anxiety than the position in any other part of the world. Sir Robert Craigie was, he thought, conducting the conversations in Tokyo with great skill in conditions of extreme difficulty.

So far as concerned the purely local issues, such as the police and administrative arrangements at Tientsin, matters had not proved too difficult and a solution of these problems might be anticipated. The Japanese, however, were now raising matters of general policy, namely, the silver in the Concessions at Tientsin and Peking, and currency matters.

The Foreign Secretary said that, if he were convinced that we could reach some general agreement with the Japanese, he would be prepared to put up with certain indignities in the meantime. He thought, however, that we could not ignore the possibility that we might have to break with Japan on these wider issues. If this happened, it would be necessary for us to choose very carefully the ground on which the actual break should take place. Broadly, there were two grounds on which we could break - the currency issue or the question of British help to China. On the whole, if a break were to come, he thought it had better come on the latter issue which was capable of better presentation from the point of view of world opinion.

In regard to the currency question, the French had adopted a helpful line and had said that they were not prepared to concur in any agreement reached on this matter in regard to which they had

not been consulted. The attitude taken up by the United States Government had been much less precise. We were endeavouring to get the United States Government to clarify their attitude.

The Foreign Secretary said that he trusted that we should not reach a breaking point in the negotiations. Sir George Sansom, who was at present in this country, thought that the Japanese Government wished to reach agreement with us but were anxious to obtain as favourable a bargain as possible. The Japanese Press had showed great anxiety lest the conversations should fail and the Japanese Government were greatly puzzled by the United States action in denouncing their Commercial Treaty with Japan. We had not yet taken full advantage of the Japanese reaction to the United States move.

The Secretary of State for Foreign Affairs said that, putting together all these considerations, he was disposed to adopt a stiffer attitude towards the Japanese Government on the ground of the anti-British demonstrations which were taking place. He read out an extract from Telegram No. 438 to Tokyo, which had been despatched the previous evening, instructing Sir Robert Craigie to make a strong protest in regard to these demonstrations.

The Foreign Secretary said that Sir Robert Craigie's attitude in regard to the anti-British agitation was, perhaps, somewhat different. His view, broadly, was that if we could reach a settlement with the Japanese, the anti-British agitation would stop. Sir Robert Craigie had

received a message through an intermediary to the effect that the Japanese Government had been offended by the manner in which the American Commercial Treaty had been denounced, and urged us not to adopt a similar course (Telegram No. 906 from Tokyo).

The Foreign Secretary said that he would be glad to have the authority of the Cabinet, if the situation demanded it, to say to the Japanese Government that it was impossible to continue conversations while the anti-British demonstrations continued and to suspend the conversations for a few days.

The Foreign Secretary also thought that, if a situation arose in which it was necessary to take action against the Japanese Government, our wisest course would be to denounce our Commercial Treaty with Japan. Such a course was much less likely to involve us in trouble than an embargo and, as twelve months notice was required, it allowed plenty of time in which to manoeuvre.

In discussion, reference was made to the recent telegrams and conversations regarding the granting of further commercial credits to China.

The Foreign Secretary said he thought that perhaps telegram No. 884 of 29th July from Sir Robert Craigie on this subject did not give a fair picture of the position. Negotiations with regard to this credit had been continuing since February and the matter had been the subject of repeated Questions and Answers in Parliament. It was impossible to believe that the Japanese were not fully aware of the position. He had had a very frank discussion on the matter with the Chinese Ambassador, and had told him that if we reached the conclusion that it would be embarrassing

to our Ambassador in Tokyo if we announced the grant of further credits to China, we should inform the Chinese Government of the fact and that we favoured a short delay in the signing of the actual agreement. In discussion it was emphasised that the essential point was that the Chinese Government should realise that we were not intending to withdraw the offers of further credits which we had made to them but only had in mind a short postponement for tactical reasons.

THE PRIME MINISTER said that he was a good deal concerned with the anti-British agitation which it was difficult to pass over without taking some action. Incidentally, he pointed out that if the Tokyo Conversations were suspended or postponed it might not be easy to get them started again.

He also stressed that the utmost consideration should be given to Sir Robert Craigie. Our Ambassador in Tokyo was working under most difficult conditions and had very few cards in his hand, but he had shown great skill and coolness. It was clear, therefore, that before any decision was taken which might have the effect of breaking or suspending the negotiations, Sir Robert's views should be ascertained and due weight given to them.

The Prime Minister referred to the question raised by the Foreign Secretary, namely, "if a break in the negotiations was inevitable what would be the best ground on which to break?" He had thought that the Foreign Secretary would say that it was better to break on the currency issue than on help for China. He was not quite sure that he appreciated where the dividing line came between help to China and support of her currency.

The Prime Minister thought that if we had to choose between a break on -

(a) the prohibition of the use of fapi in the Tientsin Concession, and

(b) the grant of a further sum to support the Chinese currency (or perhaps the grant of additional export credits),

he thought that (a) was the better ground. It was preferable to break on international grounds rather than on grounds of national interests. Further, the fapi question was one in which other countries besides ourselves were concerned, whereas further help to the Chinese currency would be action taken by ourselves, in which other countries would not participate.

THE FOREIGN SECRETARY agreed that it was impossible to draw a clear line between the currency question and help to China. On the other hand, we had repeatedly stated that the steps which we had taken to support the Chinese currency had been taken in our own interests; he was not anxious, therefore, that a break, if it was inevitable, should come on grounds connected with the Chinese currency.

THE PRESIDENT OF THE BOARD OF TRADE said that the action which the Japanese Government were urging us to take in banning the use of fapi in the Tientsin Concession might be regarded as a breach of neutrality.

THE SECRETARY OF STATE FOR INDIA said that he was sure that opinion in India would be far more willing to join in economic sanctions against Japan, if such action was based on broad moral

grounds rather than on the need to protect British interests in the Far East. Such a course would be consistent with the statements we had made, that Japan had violated her Treaty obligations to China.

The Secretary of State paid a tribute to Sir Robert Craigie's balance of judgment under extreme provocation.

The Secretary of State for India added that he strongly approved the telegram which had been sent to Sir Robert Craigie the previous night (No. 438 to Tokyo). He felt sure that in the last resort the Japanese Government would only attach importance to force or threats of force. He did not think that the anti-British agitation in China would stop until we took a somewhat firmer line.

Reference was made to the protest which the Japanese Government had made in regard to the treatment of Japanese fishermen at Singapore.

In reply to questions, THE FOREIGN SECRETARY said that the line he had taken in this matter was that while defence considerations came first, he hoped that it would be possible for something to be done to prevent individual cases of hardship. He had informed the Japanese Ambassador that, while he did not intend to link the events at Singapore with those at Tientsin, nevertheless if the Japanese would alleviate the situation at Tientsin, this would be of assistance in regard to the disconnected events at Singapore.

THE SECRETARY OF STATE FOR WAR referred to the weakness of our defence position in the Far East, and asked what sanction we could apply if there was a breakdown in the negotiations.

THE SECRETARY OF STATE FOR AIR said that we might be drifting into the position, which the Chiefs of Staff had advised we should at all costs avoid, in which we might be opposed at the same time to the forces of Germany, Italy and Japan. He thought that it would be difficult for the Government to take a different line from that suggested by our Ambassador in Tokyo, who was conducting the negotiations so successfully. In any event there should be no break in the negotiations unless the Cabinet were given an opportunity to consider the situation.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he was fully conscious of the defensive side of the situation and would exhaust every device to prevent a breakdown of the negotiations. Nevertheless, he felt that the right course might be that we should at this stage put some pressure on Japan to adopt a more conciliatory attitude.

THE SECRETARY OF STATE FOR INDIA said that he thought there was agreement between Ministers on the general line to be pursued. The immediate point at issue was whether, if we were to adopt a slightly stronger line at the present time, the Japanese Government would adopt a more reasonable attitude in the negotiations.

THE SECRETARY OF STATE FOR SCOTLAND reminded the Foreign Secretary that the Japanese Ambassador had assured him that the Japanese Government were anxious to stop the anti-British agitation. He suggested that the Foreign Secretary should see the Japanese Ambassador and inform him that the British Government and the House of Commons were getting restive as a result of this agitation.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS undertook to consider this suggestion.

THE PRESIDENT OF THE BOARD OF TRADE drew attention to the latest telegram from Sir Robert Craigie in regard to export credits for China (Telegram No. 912 from Tokyo). Sir Robert now thought that if the Japanese Government saw prospects of getting satisfaction on the Silver question, they would not make difficulties in regard to the grant of export credits to China.

THE LORD CHANCELLOR referred to the four men whom the Japanese Government were asking should be handed over to them by the authorities of the British Concession at Tientsin. He was anxious, if it was possible, that he should take his share of responsibility for finding a solution of this difficulty. He suggested that a statement might be made on the following lines:-

"The information which we have received from our people establishes, in our opinion, that prima facie evidence has been produced by the Japanese which, according to our legal obligations in the Concession, require us to hand over two men to the local Chinese Court for trial on a charge of murder, and as regards two men to hand them over on a charge of being members of an illegal gang."

The Lord Chancellor said that he thought it was of the utmost importance that, if we reached a position in this matter when we were prepared to act on these lines, we should not let it appear that we were yielding to pressure but should make it plain that our decision was a considered decision taken on the facts. He suggested that it might be desirable that this question should be considered by him in conjunction with the Law Officers, and that, if this course was considered wise, a statement on the lines of that suggested should be made in the name of himself and the Law Officers.

THE PRIME MINISTER agreed that if an announcement on this matter became necessary, it would require very careful handling. He thought it would be useful that the Foreign Secretary should be armed with a joint statement by the Lord Chancellor and the Law Officers for use, should occasion arise, and he invited the Lord Chancellor to consult with the Law Officers, as suggested.

This course was agreed to.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that, as a situation might arise which made further action on our part necessary, he would be glad if the Cabinet would authorise the Prime Minister, the Chancellor of the Exchequer, the President of the Board of Trade, the Secretary of State for Dominion Affairs and himself, acting together, to denounce our Commercial Treaty with Japan, without further reference to the Cabinet.

In discussion it was asked whether this was likely to precipitate a crisis. The view was expressed that this was the least dangerous course open to us if we wished to take some action.

THE PRIME MINISTER referred to the statement in Telegram No. 906 from Tokyo from which it appeared that the Japanese Government were quite prepared for denunciation of the Treaty on our part.

THE SECRETARY OF STATE FOR THE COLONIES said that he would be glad if the Colonial Office could be kept in touch if it was proposed to denounce the Treaty, since it would be desirable to warn the Governors of certain Colonies of what was proposed.

This course was agreed to.

The Cabinet:-

- (1) took note of the statement of the Secretary of State for Foreign Affairs.
- (2) invited the Lord Chancellor in consultation with the Law Officers to prepare a joint statement in regard to the four Chinamen the surrender of whom was demanded by the Japanese authorities at Tientsin:

(3) authorised the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Foreign Affairs, the Secretary of State for Dominion Affairs and the President of the Board of Trade, to denounce the Anglo-Japanese Commercial Treaty without further reference to the Cabinet, if the course of the negotiations at Tokyo should render this step desirable.

COLONIAL AFFAIRS.
Proposals for a
Parliamentary
Committee

5. THE SECRETARY OF STATE FOR THE COLONIES said that, owing to pressure of work, he had not been able to circulate a Memorandum on this matter. For some time past he and his advisers in the Colonial Office had been framing proposals for reforming the machinery for the consideration ^{and conduct} of Colonial policy. One suggestion made in this connection had been the setting up of a Parliamentary Committee to keep in touch with matters of Colonial policy, ^{and he personally favoured the proposal in principle}. In the meantime, independently of this examination, proposals had been put forward by a number of Members of Parliament, and had attracted a good deal of support, for the setting up of a Parliamentary Committee for Colonial Affairs. On merits, the Colonial Secretary was satisfied that the establishment of such a Parliamentary Committee was desirable and would be helpful. He was responsible to Parliament for the administration of some 50 territories. At the present time, however, Parliament discharged this responsibility very lightly. Indeed, the activities of Parliament in regard to Colonial matters were mainly confined to one or two debates on Supply Days and to Parliamentary Questions. Further, the interest displayed by Parliament in Colonial matters tended to be concentrated only on matters which were in need of reform. There was no opportunity in the present system to draw attention to the many things in our Colonial administration which reflected credit upon us.

The result was that a distorted and unfavourable view of Colonial administration was presented to the public.

Continuing, the Colonial Secretary said that he thought that, as Parliament was now taking a new interest in Colonial matters, it was desirable that this interest should be encouraged to take a more helpful and useful form. It was not practicable to have frequent Parliamentary debates on Colonial matters, nor were debates the best way of dealing with the problems involved. He therefore favoured the establishment of some form of Parliamentary Committee. The result would be to add to the interest in, and knowledge of, Colonial matters among Members of Parliament, and to provide a more balanced view of the present state of our Colonies. He thought, too, *had some measure of* that a Committee which ~~took~~ ^{had some measure of} the initiative in making suggestions, would be helpful to the holder of his office, having regard to the very wide field covered by Colonial administration. Finally, the Colonial Secretary thought that the establishment of such a Committee would have a good effect in the Colonies.

There remained the question whether the establishment of such a Committee would afford a precedent for a Parliamentary Committee to deal with other matters. It was clear that we did not want to see a Parliamentary Committee system on the French model taking root in this country. He thought, however, that the reasons which led him to urge the setting up of a Parliamentary Committee for Colonial Affairs did not apply in regard to, say, India, Foreign Affairs or the Dominions.

The Secretary of State said that a number of points would have to be carefully considered, such as, for example, the terms of reference, methods of procedure and composition of the Committee. He would have preferred to have fully explored these matters before making an announcement in the House. For example, he would have liked Members of both Houses to be eligible for membership of the Committee but this would involve setting up a joint Committee, the procedure of which would have to follow that of the House of Lords Committees. This meant conferring very considerable powers on the Chairman and might be resented by the Commons Members of the Committee. It therefore appeared undesirable to set up a joint Committee of both Houses at the present stage. He thought, however, that this difficulty was one which could be got round.

Since, however, agitation had arisen in Parliament for the setting up of a Parliamentary Committee, he thought that the right course would be to make an announcement before the holidays to the effect that the Government accepted, in principle, the idea of a Parliamentary Committee for Colonial Affairs.

The Colonial Secretary said that he had mentioned the matter to the Prime Minister who had asked for further time for consideration. He had also discussed the matter with the Chief Whip who at first was attracted by the idea, but on second thoughts had felt some doubts as to the wisdom of making an announcement before the proposed scheme had been more fully worked out.

In reply to a question, the Secretary of State for the Colonies said he thought that the Committee would meet in private and that while some of its evidence would be made public, evidence on more confidential matters would not be published. If a Committee of the House of Commons were contemplated, it would be set up by the resolution of the House of Commons. If a joint Committee of both Houses was set up the machinery would be by resolutions of both Houses.

In the course of discussion, the view was expressed that it was unwise to commit the Government to accept a Parliamentary Committee for Colonial Affairs until a scheme had been fully worked out. In particular, it was felt that if a Parliamentary Committee was set up for Colonial Affairs, it would be difficult to see on what grounds a Parliamentary Committee could successfully be refused for other subjects, as, for example, Foreign Affairs. If a Parliamentary Committee for Colonial Affairs had existed two years ago, when strong Parliamentary pressure was in progress for defence programmes, it would, it was suggested, have been difficult to refuse a Parliamentary Committee for defence.

It was also suggested that the Committee would give rise to difficult questions of procedure. For instance, would the Secretary of State appear before the Committee and be asked questions of policy? Again, would not grave difficulties arise for the Treasury in regard to the demands for increased expenditure which would result from the Committee's deliberations? In regard to the Colonial Secretary's point that the interest now shown in our Colonies tended to emphasise the weak sides, this was inherent in our Parliamentary system. It was also pointed out that in the eyes of the public a Parliamentary Committee would be invested with considerable responsibility; but in reality it would have no responsibility. The result would no doubt be that the Parliamentary Committee would tend to

press for expenditure in all directions so as to avoid any possibility that blame might be attached to them.

THE PRIME MINISTER said that it was perhaps significant that the parliamentary questions asked on this matter all referred to a Standing Parliamentary Committee or a Permanent Committee. He thought that at the present time it would not be wise to go so far as the Secretary of State for the Colonies proposed without further consideration or experiment. He was thinking in terms of setting up a Committee of Members of Parliament (meetings of which could be attended by peers) which would have no authority from Parliament and no specific rights. The Secretary of State would, however, undertake to appear before the Committee at intervals and Governors of Colonies on leave, and perhaps senior Civil Servants, might also appear on occasions. Such a Committee would afford the Colonial Secretary an opportunity of educating Members of Parliament in Colonial Affairs but should not give rise to demands which might prove awkward. Further, such a Committee would not afford precedent for the establishment of a Standing Committee on Foreign Affairs or on India.

The Prime Minister then read out a draft reply which he had prepared to three Questions down for answer on this matter that afternoon. Various suggestions were made in regard to the draft reply. It was agreed that the general tonour of the reply should not commit the Government to acceptance or refusal of

the **institution** of a Parliamentary Committee for Colonial Affairs; but to say that the **Government** were considering what was the best method of giving Members of Parliament, who were anxious to devote themselves to Colonial matters, a better opportunity of acquainting themselves with Colonial problems.

The Cabinet agreed to postpone a decision on the proposed formation of a Parliamentary Committee for Colonial Affairs, and to leave for decision by the Prime Minister the terms of the reply to be given to the **three** Questions on this subject for answer in the House that afternoon.

SAFETY IN
COAL MINES.

Proposed
Legislation.

Previous
Reference:
Cabinet 3 (39)
Conclusion 9)

6. The Cabinet had before them a Memorandum by the President of the Board of Trade (C.P. 159 (39)) on the subject of Safety in Mines Legislation. The President recalled that, in accordance with the Conclusion noted in the margin, the then Secretary for Mines had announced in the House of Commons, on 1st February, that the Government accepted the Report of the Royal Commission on Safety in Mines in its general sense and purport, and would begin immediately to take the necessary steps towards implementing it; but that he was afraid it would not be possible to have the Bill ready for introduction during the current Session.

Although the Bill had not been definitely promised for the following Session, there was a general expectation in the industry that it would be introduced then, and, if this expectation were not fulfilled, there would be severe criticism both from the Mine Workers' Association and the Miners' M.P's particularly in view of the continued heavy accident rate. It was not expected that the Second Reading would be opposed; but, owing to the dimensions of the Bill and its technical nature, the Committee Stage would necessarily take a considerable time; and, in order to secure its passage, it would be necessary for the Bill to be introduced quite early in the new Session. The Departmental work preliminary to a first draft of the Bill had been completed, but Parliamentary Counsel, who were working under exceptionally heavy pressure had not been able to begin work on the Bill.

The President therefore asked that authority might be given for the drafting of the Safety in Mines Bill to be undertaken by the Parliamentary draftsmen when they had disposed of emergency legislation, and

after the holidays, with a view to its consideration by the Committee of Home Affairs. This authority was not sought in order to gain any special priority for the Bill, but solely in order that the Bill might be ready for introduction early in the new Session, should the Cabinet desire to include Safety in Mines legislation in the King's Speech.

The Cabinet gave the President the authority asked for.

PHYSICAL
TRAINING.

—
Institution of
a National
Badge Scheme.

(Previous
Reference:
Cabinet 60 (58)
Conclusion 16.)

7. The Cabinet had under consideration a Memorandum by the President of the Board of Education (C.P. 163 (39)) asking for a decision by his colleagues on the institution of a National Badge for physical proficiency - in advance of consideration of a Memorandum he had prepared on the subject of future policy for the promotion of physical training and recreation in England and Wales.

The need for a National Badge Scheme on a voluntary basis in this country had been urged from many quarters, and the President believed that the incentive to training which it would provide would do much to raise the standard of physical fitness, particularly in youth. His special reason for asking for a decision on this aspect of his proposals as a matter of urgency, was that the Army Sports Control Board, who had examined the Scheme in detail, were anxious to make the winning of the Badge the main objective of physical training in the new Militia. A Handbook for issue to Militiamen, which included details of the Badge, was already in proof, and its issue was being held up pending a decision on the question of principle. So far as the present financial year was concerned, any expenses in connection with the adoption of such a scheme could be met out of Subhead L. of the Vote of his Department. Thereafter, it was estimated that £15,000 a year would cover the cost of organising and administering the Scheme.

THE PRESIDENT OF THE BOARD OF EDUCATION said that the badge proposed was intended to set a standard which should be capable of attainment by all young people who took up the physical fitness movement seriously. He had reached the conclusion that the National Badge Scheme would provide an important incentive.

Since the Memorandum had been circulated to the Cabinet, however, the Secretary of State for Scotland had informed him that the Scottish Fitness Council entertained some doubts as to the wisdom of adopting the badge. As he thought it was desirable that England and Scotland should work on the same lines in this matter, he was not therefore asking for an immediate decision.

THE SECRETARY OF STATE FOR SCOTLAND said that the Scottish Fitness Council were some months ago rather averse to the idea of a National Badge. In particular this view was held by the Labour Members of the Council. On the previous day they had again considered the matter on learning of the present proposal and had expressed a wish for full consultation with the English Council before reaching a decision. He would, therefore, like an opportunity to discuss the matter with the President of the Board of Education.

THE MINISTER OF LABOUR said that the Scottish Trades Union Congress took the view that men who obtained the badge would get preference in employment.

THE PRESIDENT OF THE BOARD OF EDUCATION expressed the hope that the Secretary of State for War would, if possible, defer adopting the system for the Militia as it was desirable that it should not seem to originate from military sources.

The Cabinet agreed:-

To defer a decision on the proposed National Badge Scheme.

THE INDIAN
FEDERATION.

--
Negotiations
with the
Indian States
as to the
Terms of their
Accession.

(Previous
Reference:
Cabinet 35 (38)
Conclusion 5.)

8. The Cabinet had before them a Memorandum by the Secretary of State for India (C.P. 169 (39)) containing an account of developments since the proposed terms for the accession of the Indian States to Federation were communicated by the Viceroy on the 27th January, 1938, to all Rulers eligible to accede, in accordance with the Conclusion of the Cabinet referred to in the margin, together with certain proposals with regard to future policy on which the Viceroy and the Secretary of State were agreed.

The proposed terms of accession had evoked considerable criticism from the Princes and, in particular, the Nizam of Hyderabad had already intimated his unwillingness to accede on the terms proposed. There was also likely to be considerable criticism from British India when the proposed terms of accession were published, on the ground that they were over-generous to the Princes and did not provide for Federation on a basis of equal distribution of obligations as between the Provinces and the States. There was some reason to hope, however, that the Princes might revise their first impressions of the Federal offer before 1st September, 1939, the date on which their replies to the Viceroy's communication were due, and that the opposition to Federation in British India would thereby also be reduced.

The Viceroy and the Secretary of State were agreed that the existing situation did not call for any immediate revision of policy. An undertaking had been given to Parliament that a White Paper would be laid on the subject after the Princes' replies had been received but it was felt that this Paper should not be laid until time had been given for a cool consideration of the collective opinions of the States,

and possibly for some further discussions with Rulers, should they desire them.

THE SECRETARY OF STATE FOR INDIA said that he was sorry to have circulated such a lengthy Memorandum to his colleagues. He thought, however, that the Cabinet should be aware of the position.

THE SECRETARY OF STATE FOR HOME AFFAIRS said that he was somewhat apprehensive as to paragraph 7 of the Report, in which it was stated that it would be misleading to renew, in the terms used in previous reigns, the unqualified assurance that the rights of States were "inviolable and inviolate." Was this altogether consistent with previous declarations of Government? As regards the prospects of Federation generally, he thought that the Princes would only be brought into the Federation as the result of either fear or coaxing. He thought it would be desirable to avoid a direct issue with the Princes over Federation, and to allow time to play its part.

THE SECRETARY OF STATE FOR INDIA pointed out that the Memorandum was, of course, prepared for the secret information of the Cabinet. The precise terms of the statement made in regard to States' rights was set out in Annexure 4 to C.P. 169 (39). In this statement the position had been made quite clear to the Princes. It was inevitable that, if the Princes came into Federation, some of the existing Treaties - made in some instances as long as a century ago - could not be maintained indefinitely. As regards the statement of the conference of Princes and Ministers assembled at Bombay, quoted in paragraph 3 of his Memorandum, he had no doubt that this was drafted with the intention of obtaining concessions from His Majesty's Government.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that his only comment was that he did not perhaps take so dispassionate a view of the possibility of a breakdown on the Federation issue. He thought that it was very desirable to avoid such a breakdown in the near future and that every reasonable concession should be made to this end. He had always thought that the Princes would be induced to enter Federation by coaxing rather than by fear. He drew attention to the words of the Nizam of Hyderabad quoted on page 19 of C.P. 169 (39) beginning "The officials who administer my laws are my servants....." He thought that this point of view had much support and asked whether it would be possible to allow the officials of the Princes to perform certain functions for a period of years notwithstanding that such functions were outside the scope of their duties as defined in the Federation scheme.

THE SECRETARY OF STATE FOR INDIA said that the Princes had been given an opportunity of administering certain Federal arrangements through their own officers to the same extent as the Provinces. He thought it was difficult to put the Princes on a different basis from the Provinces in this matter.

THE HOME SECRETARY said that he was most anxious that a direct issue should not arise on Federation that Autumn, ~~and would be prepared to contemplate substantial concessions to avoid this happening.~~ At the same time, Concessions must not be made which would arouse ~~serious~~ ^{an outburst} opposition from British India.

THE SECRETARY OF STATE FOR INDIA said that he had no intention of allowing a crisis in the matter of the

issue of Federation to be precipitated in the immediate future, even if the Princes declined the offer which we had made. If this happened, the Viceroy proposed to have discussions with individual Princes and leaders of public opinion in India. These discussions would last for some considerable time.

The Cabinet took note of the Secretary of State for India's Memorandum (C.P. 169 (39)).

THE FAR EAST.

Economic
Measures to
restrain Japan
from further
action inimical
to British
Interests.

(Previous
Reference:
Cabinet 39(39)
Conclusion 6).

9. The Cabinet had before them a Note by the Minister for Co-ordination of Defence (C.P. 162(39)), circulating for the information of his colleagues a Report by the Advisory Committee on Trade Questions in Time of War, on the subject of Economic Measures to restrain Japan from further action inimical to British interests in the Far East (C.I.D. Paper No. 1575-B), together with the relevant extract from the draft Minutes of the 370th Meeting of the Committee of Imperial Defence (Minute 1).

In his Note the Minister stated that the Committee of Imperial Defence had taken note of the Conclusions of the above Report, and had agreed that the Report, together with the Minutes of the discussion, should be forwarded to the Cabinet for information.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS raised the question whether copies of the Report should be sent to the Dominions and to the Government of India, in order that they might study the matter. He also thought that it might be useful to convey the gist of it to the United States Government and to the French Government.

In the discussion which ensued it was pointed out that no decisions had been reached on the Report by Ministers. The Paper therefore represented no more than an examination on certain lines of what economic measures could be adopted to restrain Japan from further action inimical to British interests, and tried to anticipate the results of these measures. The view was expressed that if we were to communicate the gist of the Report to the French Government or the United States Government before we had arrived at any decisions ourselves on the matter, the result was not likely to be helpful and might lead to difficulties.

It was pointed out by THE MINISTER OF HEALTH that the India Office had been represented on the Committee, and that the views of the Government of India were stated in paragraph 29 of the Report.

After discussion it was agreed:

- (1) That copies of the Report should be sent to the Governments of the Dominions and of India for their information only, with an explanation that no decisions had been reached on the Conclusions of the Committee and that we were not at the present time asking for the views of the Governments of the Dominions and of India on the matter:
- (2) That the gist of the Report should not be communicated to the French and United States Governments.

THE GERMAN ARMY.

Its Present
Strength and
Possible Rate
of Expansion in
Peace and War.

(Previous
Reference:
Cabinet 22(38)
Conclusion 12).

10. The Cabinet had before them a Note by the Minister for Co-ordination of Defence (C.P. 171 (39)), circulating for the information of his colleagues a Report, prepared by the War Office in collaboration with the Industrial Intelligence Centre, on "The German Army - Its Present Strength and Possible Rate of Expansion in Peace and War" (C.I.D. Paper No. 1571-B), together with the relevant extract from the draft Minutes of the 370th Meeting of the Committee of Imperial Defence (Minute 11).

The Cabinet took note of this Report.

GERMAN
AIRCRAFT
INDUSTRY.

(Previous
Reference:
Cabinet 24(39),
Conclusion 7).

11. The Cabinet had before them a Note by the Minister for Co-ordination of Defence (C.P. 170(39)), circulating for the information of his colleagues a Memorandum, prepared by the Industrial Intelligence Centre in collaboration with the Air Staff (Intelligence), on "The German Aircraft Industry" (C.I.D. Paper No. 1569-B), together with the relevant extract from the draft Minutes of the 370th Meeting of the Committee of Imperial Defence (Minute 10).

The Cabinet took note of this Report.

RESPONSIBILITY
FOR NATIONAL
SERVICE.(Previous
Reference
Cabinet 51
(38), Con-
clusion lx.)

12. THE CHANCELLOR OF THE DUCHY OF LANCASTER reminded his colleagues that when the Lord Privy Seal was appointed, he assumed immediate responsibility for determining, in consultation with the Departments concerned, the arrangements to be made for National Voluntary Service (See C.P. 243 (38)). The recruiting campaign had been conducted by the Minister of Labour, but the Lord Privy Seal had remained responsible for general policy. Now that the co-ordinated appeal for all the Defence Services had fulfilled its task, it was proposed that central National Service publicity should cease, and that effort should be concentrated on individual campaigns for particular localities and particular services in which deficiencies needed to be made good. That position having been reached, it was thought that the moment had come to relieve the Lord Privy Seal of general responsibility for National Service policy, leaving him with responsibility for the Civil Defence Services only. Each Minister would carry out the recruiting campaign for his own Service, and any necessary co-ordinating work would be done by the two Man-Power Committees of the Committee of Imperial Defence, of which he (the Chancellor of the Duchy of Lancaster) was Chairman. This matter had been considered at a Meeting of the Man-Power (Policy) Committee of the Committee of Imperial Defence on the previous day and the scheme outlined above had been approved by the Ministers concerned. He thought, however, that as this involved altering an arrangement made by the Cabinet in the previous Autumn, his colleagues should be aware of it.

The Cabinet took note of this statement and approved the arrangements proposed.

ARRANGEMENTS
FOR THE
RECESS.

(Previous
Reference:
Cabinet 39
(39), Con-
clusion 1.)

13. THE PRIME MINISTER said that, provided the Government carried their Motion that afternoon, arrangements would be made for the House of Commons to re-assemble on the 3rd October. Power would, of course, be taken to recall the House earlier in case of necessity.

The Prime Minister said that he thought he should give his colleagues certain information as to his own movements. Early in the following week he was going to the North of Scotland, but he would be able to return to London, if necessary, in a few hours. If all was well, he intended to stay there until the night of the 21st August, when he would return to London for a day or so. He thought it was probable that he would invite those members of the Cabinet who were within easy reach of London to attend a Meeting of Ministers on August 22nd. Unless, however, there was some special reason, he did not propose to invite those members of the Cabinet who were at a great distance from London to attend a Meeting on that date.

His movements thereafter depended on the state of affairs. If all was well, he proposed to return to Scotland and to remain there until some date in September. He would communicate to his colleagues as soon as possible the date in September when normal weekly Meetings of the Cabinet would be resumed.

The Prime Minister expressed the hope that all his colleagues would have a really good holiday. In saying this he was also thinking of the Civil Service, which had worked under exceptional pressure for a very long time. It was of the utmost importance

that Civil Servants should also have a good holiday, so that they could return with renewed energy.

The Cabinet took note of this statement.

Richmond Terrace, S.W.1.

2nd August, 1939.